



[4830-01-p]

DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 1

[TD 9689]

RIN 1545-BL52

Guidance Regarding Dispositions of Tangible Depreciable Property; Correction

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Correcting amendment.

SUMMARY: This document contains corrections to final regulations (TD 9689) that were published in the **Federal Register** on Monday, August 18, 2014 (79 FR 48661). The final regulations are regarding dispositions of property subject to depreciation under section 168 of the Internal Revenue Code.

DATES: This correction is effective on **INSERT DATE OF PUBLICATION IN THE FEDERAL REGISTER** and applicable beginning August 18, 2014.

FOR FURTHER INFORMATION CONTACT: Kathleen Reed, at (202) 317-7005 (not a toll free number).

SUPPLEMENTARY INFORMATION:

Background

The final regulations (TD 9689) that are the subject of this correction are under section 168 of the Internal Revenue Code.

Need for Correction

As published, the final regulations (TD 9689) contain errors that may prove to be misleading and are in need of clarification.

List of Subjects in 26 CFR Part 1

Income taxes, Reporting and recordkeeping requirements.

Correction of Publication

Accordingly, 26 CFR part 1 is corrected by making the following correcting amendments:

PART 1—INCOME TAXES

Paragraph 1. The authority citation for part 1 continues to read in part as follows:

Authority: 26 U.S.C. 7805 ***

Section 1.168(i)-1 also issued under 26 U.S.C. 168(i)(4).

Par. 2. Section 1.168(i)-1 is amended as follows:

1. Paragraph (c)(2)(ii)(D) is revised.
2. The third sentences of paragraphs (e)(3)(ii)(B), Example 2. (ii) and (e)(3)(iii)(A) are revised.
3. Paragraph (e)(3)(iii)(C)(3) is revised.
4. The second sentence of paragraph (e)(3)(v)(B)(1) is revised.
5. In paragraph (f)(3) remove the phrase “Allowed Depreciation Deductions Allocated and Apportioned to a Separate Category Total/Allowed Depreciation Deductions and Apportioned to Foreign Source Income.” and add in its place “Allowed

Depreciation Deductions Allocated and Apportioned to a Separate Category/Total
Allowed Depreciation Deductions and Apportioned to Foreign Source Income.”

6. In the first line of paragraph (j)(3)(ii), remove the phrase “allowed or” .
7. Paragraph (m)(4) is revised.

The revisions read as follows:

§1.168(i)-1 General asset accounts.

* * * * *

(c) * * *

(2) * * *

(ii) * * *

(D) Assets not eligible for any additional first year depreciation deduction, including assets for which the taxpayer elected not to deduct the additional first year depreciation, provided by, for example, section 168(k), section 168(l), section 168(m), section 168(n), section 1400L(b), or section 1400N(d), must be grouped into a separate general asset account;

* * * * *

(e) * * *

(3) * * *

(ii) * * *

(B) * * *

Example 2. * * *

(ii) * * * The gain of \$232 is subject to section 1245 to the extent of the depreciation allowed or allowable for the account, plus the expensed cost for assets in the account, less the amounts previously recognized as ordinary income ($\$1,232 + \$0 - \$0 = \$1,232$). * * *

(iii) * * *

(A) * * * The adjusted depreciable basis of the asset at the time of the disposition, as determined under the applicable convention for the general asset account in which the asset was included, equals the unadjusted depreciable basis of the asset less the greater of the depreciation allowed or allowable for the asset. The allowable depreciation is computed by using the depreciation method, recovery period, and convention applicable to the general asset account in which the asset was included and by including the portion of the additional first year depreciation deduction claimed for the general asset account that is attributable to the asset disposed of. * * *

* * * * *

(C) * * *

(3) The depreciation reserve of the general asset account is reduced by the greater of the depreciation allowed or allowable for the asset as of the end of the taxable year immediately preceding the year of disposition. The allowable depreciation is computed by using the depreciation method, recovery period, and convention applicable to the general asset account in which the asset was included and by including the portion of the additional first year

depreciation deduction claimed for the general asset account that is attributable to the asset disposed of; and

* * * * *

(v) * * *

(B) * * *

(1) The adjusted depreciable basis of the asset at the time of disposition equals the unadjusted depreciable basis of the asset less the greater of the depreciation allowed or allowable for the asset. The allowable depreciation is computed by using the depreciation method, recovery period, and convention applicable to the general asset account in which the asset was included and by including the portion of the additional first year depreciation deduction claimed for the general asset account that is attributable to the relinquished asset. * * * * *

(m) * * *

(4) Optional application of TD 9564. A taxpayer may choose to apply §1.168(i)-1T as contained in 26 CFR part 1 edition revised as of April 1, 2014, to taxable years beginning on or after January 1, 2012. However, a taxpayer may not apply §1.168(i)-1T as contained in 26 CFR part 1 edition revised as of April 1, 2014, to taxable years beginning on or after January 1, 2014.

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Par. 3. Section 1.168(i)-7 is amended by revising paragraph (e)(4) to read as follows:

§1.168(i)-7 Accounting for MACRS property.

* * * * *

(e) * * *

(4) Optional application of TD 9564. A taxpayer may choose to apply §1.168(i)-7T as contained in 26 CFR part 1 edition revised as of April 1, 2013, to taxable years beginning on or after January 1, 2012. However, a taxpayer may not apply §1.168(i)-7T as contained in 26 CFR part 1 edition revised as of April 1, 2013, to taxable years beginning on or after January 1, 2014.

* * * * *

Par. 4. Section 1.168(i)-8 is amended as follows:

1. Remove the phrase “allowed or” wherever it appears in paragraphs (f)(2)(ii), (f)(3)(ii), (h)(2)(iv), and (h)(3)(iv).
2. Revise paragraphs (h)(2)(iii) and (h)(3)(iii)..

The revisions read as follows:

§1.168(i)-8 Dispositions of MACRS property.

* * * * *

(h) * * *

(2) * * *

(iii) The depreciation reserve of the multiple asset account or pool must be reduced by the greater of the depreciation allowed or allowable for the asset disposed of as of the end of the taxable year immediately preceding the year of disposition. The allowable depreciation is computed by using the depreciation method, recovery period,

and convention applicable to the multiple asset account or pool in which the asset disposed of was included and by including the additional first year depreciation deduction claimed for the asset disposed of; and

* * * * *

(3) * * *

(iii) The depreciation reserve of the asset must be reduced by the greater of the depreciation allowed or allowable for the disposed portion as of the end of the taxable year immediately preceding the year of disposition. The allowable depreciation is computed by using the depreciation method, recovery period, and convention applicable to the asset in which the disposed portion was included and by including the portion of the additional first year depreciation deduction claimed for the asset that is attributable to the disposed portion; and

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